

EXHIBIT 10

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From: Reorg Alert <dockets@reorg-research.com>
Sent: Wednesday, August 26, 2020 6:16 PM
To: Zwilling, Zachary S.
Subject: [EXT] Puerto Rico - PREPA Governing Board Meeting Touches on 2021 Target for Title III Exit, Clash With Oversight Board on Renewable PPOAs; 'Risks' to T&D Deal Commencement Also Discussed (Americas Intelligence)

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Puerto Rico

PREPA Governing Board Meeting Touches on 2021 Target for Title III Exit, Clash With Oversight Board on Renewable PPOAs; 'Risks' to T&D Deal Commencement Also Discussed

August 26, 2020 18:14

During its regular monthly meeting, the Puerto Rico Electric Power Authority governing board today covered a range of issues including the utility's Title III case, misalignment with the PROMESA oversight board over renewable energy contracts, the [integrated resource plan](#) and efforts to catch up on overdue audited financials. Discussion also turned to the transition to private operation of PREPA's transmission and distribution system, with Luma Energy chief Wayne Stensby outlining workstreams and "risks" to the contract's commencement and aims.

Title III Proceeding

During a presentation by the PREPA governing board's finance and bankruptcy committee, Nelson Morales, the utility's finance director, pointed to PREPA's target to exit its Title III proceeding in 2021 amid discussions between the oversight board, PREPA's bankruptcy advisors and the Puerto Rico Fiscal Agency and Financial Advisory Authority, or AAFAF, and open economic questions due to the Covid-19 pandemic.

"So the plan is that by the end of next year we emerge from Title III. That is what we are working very hard on in the discussions. We'll take that up next year," he said. "Obviously there is a lot of uncertainty surrounding the macroeconomics in Puerto Rico as well as the United States as a result of the Covid-19 pandemic."

PREPA's Title III court process surrounding its restructuring support agreement has been put [on hold](#) as the oversight board and PREPA assess the impact of the Covid-19 pandemic. Last week, the official committee of unsecured creditors in the Title III cases filed a [motion](#) to terminate PREPA's motion to approve the settlements embodied in the RSA.

At the onset of the presentation, panel chair Charles Bayless said there were "really no big items" on the agenda of its most recent meeting. Morales stated that the utility's cash balance stood at \$462 million as of Aug. 21 compared with \$416 million at the onset of the Covid-19 emergency period in March.

Morales concurred with Tomás Torres, the consumer affairs representative on the PREPA governing board, that the utility ended fiscal 2020 with a \$570 million deficit. He added that while PREPA booked a \$18.8 million deficit on a GAAP basis in July, the first month of fiscal 2021, the utility remained within the budget as certified by the oversight board on a cash basis. The deficit issue sparked the discussion of PREPA's Title III case.

"We are not paying interest costs now because of the bankruptcy. And on interest cost we don't know what the bankruptcy will assign to the creditors, or how much we will owe them, but it could be a big number. The interest might be high," Bayless said. "So the fact that we're pretty solvent right now, we'll have to see where that goes."

PREPA governing board member Robert Poe sought to clarify "pretty fuzzy" issues around the deficit. "So we have this deficit and we're in bankruptcy and we owe a whole bunch of money to a lot of people from all these bonds over the years. We just don't know what that bankruptcy number needs to be," he said.

Outlining the accrual underpinning the deficit, Morales pointed to primary components including depreciation and the "fact that we are not paying debt service interest expense."

"As it stands right now operations are going pretty solid, we just don't know what that bankruptcy number is going to need to be," Poe said. "Have we made provisions to be ready for that?" Morales replied: "Those discussions are being held with the oversight board, with our bankruptcy advisors as well as AAFAF, our fiscal agent and financial advisor."

It was during the exchange with Poe that Morales cited the aim to emerge from Title III next year and the ongoing macroeconomic uncertainty caused by Covid-19.

"Well, a big result is that money is almost free at this point," Poe said. "Interest rates are almost nothing so it really did make the [RSA](#) that was considered last year a whole different situation."

Renewable PPOAs

The misalignment between the utility and the oversight board on renegotiated power purchase and operating agreement contracts, or [PPOAs](#), tied to 16 new renewable energy projects, was discussed in a presentation by the PREPA governing board's contract and recovery committee, chaired by David Owens. Outlining the criteria used by PREPA in the selection of the 16 "shovel-ready" projects, Owens stressed that "customers need to benefit and developers don't need excessive profits."

Fernando Padilla, PREPA's administration and fiscal affairs director, reiterated that the utility was "puzzled" that the oversight board opted not to move forward on approval of the 16 contracts. He stressed that the utility sought to work in "full coordination" with the oversight board and the Puerto Rico Energy Bureau on the reworked PPOAs, noting that the regulator has already signed off on several of the contracts. Padilla cited a need for better communication, understanding and clarity on the oversight board's decision, while Owens said PREPA is "hopeful we can come to some agreement."

Owens noted that the 150 megawatt cap on the new PPOAs proposed by the oversight board represents roughly 20% of the total 593 MW sought through the 16 projects. He stressed that the integrated resource plan, or IRP, as amended by PREB, calls for 3,500 MW of solar energy in the system, including rooftops and solar developments, by 2025. "So do the math. There is a tremendous shortfall we would have," he said.

"What I'm very concerned about is a potential chilling impact on markets," Owens said, later adding: "This is not as simplistic as saying the rate should be this. It's very, very complicated. So we are very hopeful that we can have a good dialogue with the FOMB, we can come to some conclusions, we can achieve the goal of getting the best deal for customers, we can achieve the goal of getting this level of renewables integrated into the grid as laid out by the IRP."

Ralph Kreil, chairman of the PREPA governing board, noted that the utility "doesn't have any warranty" that all 16 of the shovel-ready renewable projects "will go forward," pointing to challenges including a PREB requirement that the "first stone be laid" by developers within eight months of contract approval and the expiration on the availability of tax credits for proponents in December. "Time flies and they either comply or they're out," he said.

IRP

In a summary of the IRP as drafted in an order and resolution handed down by PREB this week, PREPA official Alfonso Baretta provided a "high level" review, highlighting the most important aspects, which include a "more aggressive" move to renewables, limitations on natural gas, retirement of generation units, and key elements of a modified five-year action plan.

“More details should follow as we are still reviewing the implications of this order,” Baretti said, noting that PREPA has 20 days from the Aug. 24 order issuance date to ask for a revision of the order “as a whole document or parts of it.” He added that the utility has 30 days to go to the local Puerto Rico appellate court “if we decide to do so.”

T&D Transition

Taking part in a second monthly meeting of the PREPA governing board, Luma Energy’s Stansby noted that commencement of the [15-year agreement](#) to run the utility’s T&D system and customer service operations is slated for May 8, 2021, or 320 days from the signing. He acknowledged a “very large number of conditions precedent or items that must be completed in order for LUMA to move into commencement,” noting some of those are “directly deliverables” by Luma Energy while “many” are deliverables by other parties as well.

“So we’re working closely with everybody who has deliverables to try to get us aligned to the commencement date,” he said.

“The work that we’re undertaking is a lot of planning, a lot of roadmaps and it touches on every corner of the PREPA business,” he said, adding: “There is a lot of work to do but this is very importantly a communications exercise. I don’t think any of us can underestimate or over-stress the importance of communication.”

Stansby said company officials have been spending “significant time” with PREB and other agencies, and anticipated that roles would be posted for PREPA employees in September ahead of the kickoff of a recruitment process.

Another “key” item is “what the eventual structure of PREPA will be,” according to Stansby, who welcomed the recent issuance of a [request for qualifications](#) in a plan to put legacy generation assets under private operation as an “important next step.” Noting that there are many elements that connect with Luma in terms of shared services and other deliverables “that really rely on what is the ultimate structure,” he encouraged the PREPA governing board and other parties “working on the generation element to continue to proceed kind of post-haste because it does all connect together.”

Turning to Covid-19, Stansby said it “can be the excuse for a lot of what’s going on,” adding that it creates a “very challenging environment that impacts every business and institution around the world.”

Pointing to “risks to our schedule and risks to our broad program,” the Luma Energy chief said: “We do need to continue to get access to all corners of PREPA and PREPA employees and PREPA teams so we can understand work practices and processes. And the access unfortunately has been challenging so far. It has been slower than we would have wanted and slower than we had intended. So I just encourage PREPA leadership to continue to do everything that you are able to in order to help us get access. We don’t see this as a Covid issue.”

Stansby welcomed the PREPA governing board’s move earlier in the meeting to approve a resolution to place the utility’s disaster funding management office, or DMFO, under the restructuring and fiscal affairs program management office, or PMO. “I’m pleased that you’re making some progress and maybe improvements to the way you run the DMFO group. It has been very difficult for us to get information out of that group and we really do require a more open and transparent relationship there.”

The DMFO was created after Hurricane Maria and was positioned to serve as grant manager and to handle requests for reimbursement related to federal recovery funding.

Stansby said he’s “still optimistic” on meeting the 10 month to 12 month commencement date, adding that it’s going to take ongoing support from PREPA leadership “and a little bit more probably to get us there.”

“We’re nine weeks into a 46-week program. So as I tell my team, we’re 20% done,” he said. “That rattles a lot of people because we have a lot of work to do. But we are making progress.”

Human Resources Issues

During a presentation by the PREPA governing board’s human resources committee, panel chairman Bayless characterized the T&D transition as a “major project” and “critical task” as it relates to utility workers.

Jaime López, the utility’s deputy executive director, who Bayless said is “running the LUMA transition,”

outlined the options for PREPA workers under Act 120 of 2018, or the Puerto Rico Electric System Transformation Act, and Act 8 of 2017, the so-called single employer law. PREPA T&D employees can opt to seek employment with Luma, stay on at PREPA in available generation positions or move to other commonwealth agencies. He said that, unlike other public-private partnerships to operate the airport and toll roads, the LUMA agreement allows PREPA workers who take jobs at Luma to remain part of the PREPA pension system.

Marc Thys, PREPA's human resources and labor affairs director, touched on 24-hour strikes and various other work stoppages stemming from union opposition to the Luma deal and privatization efforts in general. He said PREPA's interim executive director, [Efraín Paredes](#), was set for a first meeting with leaders of the utility's main union, UTIER, this week. He anticipated a "different reaction" to Paredes than to his predecessor, José Ortiz, and a "new tone in labor relations," while also expecting the union to try to "revive every settled issue."

Kreil signaled those considerations were factored into the PREPA governing board's move to [appoint](#) Paredes, a 20-year veteran of the utility, for the top post after Ortiz's [resignation](#) earlier this month.

Audited Financials

Poe, as chairman on the auditing committee, touched on efforts to "get PREPA's financial house in order," centering on catching up on overdue annual audited financial reports. Since completing a [restatement](#) of the fiscal 2017 audited financials, BDO presented an internal controls letter with eight findings and PREPA is preparing a response to those items, according to Poe and Morales, the finance director.

Morales reiterated that PREPA has a "plan laid out" to issue the fiscal 2018 audited financials by Nov. 30 "subject to achieving certain milestones." Regarding the audited financials for fiscal 2019 and fiscal 2020, he said PREPA is working with the commonwealth Treasury Department on the "best approach" and alternatives "to accelerate the process to issue those two before the end of next year."

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